No. 217—*C. S.* 40, *dated Bangalore*, 6—10*th August* 1912.

AUDIT ORDER.

The Society was registered on the 28th July 1911 and started work on the 10th October 1911. Its operations extend to forty-two villages including Arsikere. Its registered share capital is a thousand shares of Rs. 10 each, payable in monthly instalments of eight annas. All the shares have been taken up. There are 135 members borne on the registers. The share amount collected is Rs. 3,615-8-0. These figures bear ample testimony to the excellent work of the Society in the very first year of its existence.

2. The Balance Sheet is approved and may be published at the next general meeting. As the Society would otherwise have hardly any profit to its credit for distribution to the share-holders, a special concession has been granted of the utilization of Rs. 80, out of the entrance fees for meeting a portion of the printing charges.

3. The Registrar invites the attention of the Society to the report of the Auditors (copy enclosed) and to his margin-remarks thereon and trusts that the Society will improve its working on the lines suggested.

4. The Registrar is very pleased to record his appreciation of the good work of the Society and its rapid progress during the year. The thanks of the Society are specially due to its Secretary Mr. M. Venkatasubbaiya, under whose energetic supervision it has found itself progressing with marked success.

M. A. NARAYAN IYENGAR,
Officiating Registrar.

NOTES ON THE INSPECTION OF THE ARSIKERE CO-OPERATIVE SOCIETY, LIMITED, ARSIKERE.

The Arsikere Co-operative Society was registered on the 28th July 1911 on the basis of limited liability with jurisdiction over Arsikere town and forty-one other villages included in the Kasaba Hobli of the Arsikere Taluk. All the Government servants including the Shanbhogs and Patels in the whole of the taluk are eligible for membership in the Society. The villages included in the operation of the Society are Government villages.

2. The executive of the Society is vested in the hands of fifteen members including the President and the Secretary who are elected by the general body in their meeting held on the 3rd August 1911, when the bye-laws approved by the Registrar were read and confirmed.

The following are the present Committee members :—

	Names.	*Number of shares subscribed for*
	PRESIDENT.	
1.	Mr. M. Chowdaiya (P. W. D. and Excise Contractor)	20
	DIRECTORS.	
2.	Mr. D. Nanjundaiya (P. W. D. Overseer)	10
3.	,, Balavanta Rao, land-holder	2
4.	,, Kencharaya Chetty, merchant	20
5.	,, A. Chendrasekhara Mudaliar, Sub-Registrar	10
6.	,, A. K. Rangaswami Ayangar, Taluk Sheristadar	10
7.	,, Venkatagiriappa, land-holder and patel	5
8.	,, Channabasappa, merchant	20
9.	,, Ramakrishnaiya, clerk, Railway Loco Office	10
10.	,, P. Rajagopal Naidu, Railway Police Sub-Inspector	30
11.	,, Narayana Chetty, merchant	5
12.	,, Kasim Sait, merchant	20
13.	,, Belagumba Giriappa, shanbhog and land-holder	5
14.	,, M. R. Narasimhaiya, Headmaster, A.-V. School	5
	SECRETARY AND TREASURER.	
15.	Mr. M. Venkatasubbaiya, retired Railway official	5

In the beginning Mr. Tirunarana Ayangar, the then Amildar of Arsikere, was appointed President: but on his transfer, Mr. Chowdaiya took his place.

The Secretary writes in his own hand the Cash Book, while the other registers are maintained by a clerk. The Secretary receives no monthly remuneration for his work.

Register of members.—This register is properly maintained. The details of the addresses, castes, etc., of members have been properly noted down. In all cases, applications for memberships have been taken and properly filed. All the members reside within the boundaries specified in the bye-laws and none of them belong to any other Society. The desirability of appointing a nominee is, in all cases, very well impressed on the minds of applicants for membership and the nominees so appointed are duly entered in the register.

One hundred and forty-five members joined the Society from time to time and eleven of them were removed from membership for the following reasons:—

Three by resignation.
Two on account of transfer.
Two on account of death.
and Four for persistent default in paying up their shares.

Thus the net membership of the Society on the 30th June 1912 was 135.

Arranged castewar, they stand as follows:—

Brahmins ...	... 89	Lingayets ...	... 3
Vaisyas ...	... 8	Banajiga ...	... 1
Mahammadans	... 8	Native Christian	... 1
Vakkaligars	... 11	Eurasian ...	... 1
Edigars ...	... 2	Nayanar ...	... 2
Mudaliars ...	... 5		
Naidus ...	... 3	Total	... 135
Pillay ...	... 1		

Classified according to occupations:—

Government servants	... 66	Patels ...	... 6
Shanbhogs	... 18	Land-holders ...	... 6
Railway officials	... 9	Bricklayer ...	... 1
Pleader ...	... 1	Hotel-keeper ...	... 1
Merchants...	... 14		
Merchants' clerks	... 2	Total	... 135
Contractors	... 11		

These 135 members have been drawn from the following villages:—

Arsikere town	... 104	Kolagunda	... 1
Kanakatte	... 5	Gandasi	... 1
Aggunda	... 4	Harnahalli	... 1
Banavar	... 4	Kempasagara	... 1
Belagumba	... 3	Hullikere	... 1
Halkoor	... 2	Sannenahalli	... 1
Javagal	... 2	Hassan	... 1
Bisalihalli	... 2		
Bandihalli	... 1	Total	... 135
Balenahalli	... 1		

The taluk is made up of five hoblis, *viz.*, Kasaba, Gandsi, Javagal, Kanakatte and Banavar and the Shekdars of all the hoblis, except the last, have joined the society.

There are two lady members one of whom has endowed her four shares to the Tirupati temple. Similarly, the Channarayapatna Sub-Division Officer Mr. S. N. Appanna Ayangar has promised to endow his five shares to the same temple. The admission of this latter gentlemen to the society is questionable, as he does not live within its jurisdiction, but an exception may be made in his case seeing that he takes a good deal of interest in the affairs of the society.

Registrar's remark.
Get the bye-laws altered and take the special permission of the Registrar.

One regrettable thing about the membership is that the Society has not drawn a good number of agriculturists and it is hoped that the official population who form the bulk of the members will impress the usefulness of the institution upon the raiyats and persuade them to come forward in appreciable numbers.

All the members have paid the admission fee and the rules regarding the admission of new members have been duly observed.

Share Register.—The nominal capital of the Society is made up of 1,000 shares of Rs. 10 each payable in monthly instalments of eight annas. The instalments have to be paid before the 20th of every month and a penalty of six pies per rupee or fraction thereof per mensem is levied in cases of default.

All the thousand shares have been allotted, out of which 322 have been fully paid up and the remaining ones are in the course of completion. Persistent default for a period of three months entails removal from membership. The following are some of the members who have defaulted in paying their share instalments for the months of May and June 1912.

Registrar's remark.
Good.

Steps should be taken to recover their dues, and if they are not recovered they should be dealt with under the bye-laws.

		Rs.
Mr.	B. Maddu Rao	5
,,	Kolagunda Thimmappaiya	3
,,	M. Rajagopal Naidu	15
,,	Katte Venkatachala Chetty	5
,,	B. Garuda Char	2
,,	P. Srirama Rao	10

The maximum number of shares that a member can take is fixed at 100 and this limit has not been exceeded in any case.

One Mr. Honnuvalli Ramaswamaiya, an influential pleader and landholder, who resides both in Arsikere and Tiptur towns, has subscribed for 50 shares, the highest number on record.

The small sum of Rs. 39-14-6 recovered as penal interest on share instalments is an indication that the generality of members have been regular in paying up their share instalments.

The share register is properly maintained.

Cash Book.—The cash book is properly written up from day to day, as transactions take place. Against each entry, references to the respective ledgers are noted together with the 'receipt or voucher' number, as the case may be. The accounts of the Society from the date of its commencement to the 30th June 1912 were audited. All share payments noted in the cash book were checked with the entries made in the share ledger and the duplicate receipts granted to members and all issues and repayments of loan with the entries made in the loan register and the vouchers taken from the parties concerned. All receipts and vouchers have been filed in serial order. The disbursements on account of share capital withdrawn have been checked with a separate register kept for the purpose. In the share register, there is no column for the refund of the shares. A column may be opened for entering the return of shares and the closing of the personal ledgers will not be complete without such a column.

Yes.

Totals are properly struck in the cash register and the balances carried forward from day to day.

Members, Loan Accounts.—The working capital of the Society is utilized for advancing loans to members for productive purposes as far as practicable.

Tho following kinds of loans are being issued:—

(1) Small loans up to Rs. 5 per share. The maximum amount issuable under this head is Rs. 25 and the maximum period for which this loan is granted is 4 weeks. Interest is charged at 1 pie per rupee per week which works at 2-1-4 per cent per month. Considering that this was a usurious rate, the rate has, with effect from the 1st July 1912 been, with the approval of the Registrar altered to 3 pies per week for every five rupees. These loans find the greatest favour with the members as they are issued for small periods on the personal character of the borrower without any collateral security. The total amount issued under this head is Rs. 2,050.

(2) Simple loans up to 90 per cent of the paid up share capital of the member. The interest charged is 14 annas per cent per month. A sum of Rs. 1,349-8-0 has been advanced under this head.

(3) On the security of immovable property, not exceeding 60 per cent of the estimated value of the property, interest being charged at 12 per cent per annum. Only two loans have been issued under this head. One of them has been repaid and the other is a case of Rs. 300 on the mortgage of a house valued at Rs. 1,000 for the repayment of which there is yet time.

(4) On the security of jewels, not exceeding 70 per cent of the estimated value thereof interest is charged at 14 annas per cent per month.

Should be discouraged.

Three such loans have been advanced as detailed in the margin. Out of which No. 2 has been repaid. No. 1 was issued on the 15th January 1912 for a period of 3 months and is overdue. No. 3 was taken on 22nd March 1912 for two months. A renewal has been obtained after repaying Rs. 50 towards principal. Steps for the recovery of loan No. 1 seem necessary.

1. Rs. 25 on the security of a silver plate valued at Rs. 35.
2. Rs. 25 on the security of silver and gold ornaments valued at Rs. 150.
3. Rs. 150 on the security of gold asali valued at Rs. 250.

Yes.

This kind of loan is of late being discouraged.

(5) On the personal security of one or two members, not exceeding the nominal value of the shares subscribed for by the borrower. Interest is charged at 12 per cent per annum. A sum of Rs. 900 has been advanced under this head. A register of sureties is maintained in which the particulars of members who have stood as sureties for borrowing members are entered. This register is scrutinized by the Secretary from time to time lest any case of irregularity should escape his notice.

In addition to these kinds of loans an instalment system has been instituted with effect from the 16th April 1912. There are two kinds of instalment loans, one running for five months and the other for ten months. Respectability of the borrower forms a great factor in the case of these loans, but a surety is also invariably taken.

The maximum period for which a loan is issued is one year and the maximum amount is Rs. 500 and in no case have the rules been infringed in this respect.

Renewals are granted in the case of all loans except the instalment loan. After one year no renewal is allowed and the loan becomes fully payable.

The Secretary is empowered to grant loans on his own responsibility up to Rs. 25, but his actions are subsequently ratified in the Committee meetings. If the loan applied for exceeds this limit, the papers are disposed of by circulation among the Committee members. In all cases applications have been taken and properly filed in the Society's Office.

There are two registers maintained for entering the transactions of each member. One of them refers to instalment loans and the other contains entries of all other kinds of loans. Each member's accounts were checked and the loans were found to have been renewed or paid in full on the due dates. The Secretary maintains a register wherein he notes from time the overdue loans and scrutinizes it properly, lest any case of default should escape his notice.

Registrar's Remark.
This is important.

Register of Bonds.—All the loans have been properly secured, and in all cases members are made to execute bonds before the monies are disbursed. The documents were examined and found arranged in serial order. The documents which require to be registered by the Registration Regulation, have been registered.

Deposits.—Though the subsidiary laws of the Society provide for deposits being taken from members, no deposits had been received, the reason alleged for this was that the share capital collected was adequate to meet all the demands of the members for loans. No deposit ledger has therefore been opened. It is however very desirable to encourage this branch of banking.

The Society should encourage deposit accounts as far as possible, and its advantages should be explained to the members and others and a steady effort made to build up a good deposit business.

Savings Bank Account.—An account has been opened with the Government Savings Bank in which the excess amounts of the Society are being deposited from time to time. The pass book was examined and the deposits and withdrawals found properly accounted for in the cash book.

Minute Book.—This contains the reports of the proceedings of general and committee meetings. One general meeting and seven committee meetings have been held as detailed on the margin during the period covered by this report. Committee meetings were not held in November and December 1911, and the reason alleged for this is the prevalence of plague.

General meeting, 3rd August 1911.
Committee meetings :—
8th August 1911.
31st October 1911.
7th January 1911.
11th February 1911.
10th March 1912.
14th April 1912.
10th June 1912.

The average attendance at each committee meeting is seen to be 8. But considering that there are 15 members on the Committee, better attendance is desirable.

Yes.

Details of fresh men admitted and members expelled and loans issued are not being entered in the proceedings of the committee meetings. Even though these details are forthcoming from the other records of the Society, it is better that they are consolidated in one place. It is hoped that this omission will be supplied in future.

Yes.

General remarks.—The book balance on the day of audit was calculated and verified with the actual cash on hand with the Secretary.

The usual statements forming the balance sheet are hereto appended.

The Society has run its first year of existence and the transactions have resulted in a profit of Rs. 39-10-10. The smallness of the amount is due to the rather heavy expenditure

the Society has incurred on account of printing the various forms and registers. Though it is a gratifying future that the Society has got all the required forms printed, yet the expenditure on this account has been rather heavy. The profits do not include Rs. 47-1-2 which is the penalty received on share instalments and over due loans and which go the reserve as per bye-laws Nos. 9 and 19. ¼ of net profits, *viz.*, Rs. 9-14-8 should also be credited to the reserve which should be deposited in the Savings Bank with the approval of the Registrar. The total reserve will therefore be Rs. 56-15-10 as detailed in the margin. Deducting the amount that goes to the reserve we have a sum of Rs. 29-12-2 left at the disposal of the Society. If a portion of the expenditure, *viz.*, Rs. 80 on account of the printing of forms be debited to the entrance and share fees received from the members, the amount available for the distribution among the members will be Rs. 109-12-2, which will give a 5 per cent dividend to the members on the average paid up share capital. But the Society has worked for nine months only and so the members will do well to work the institution for another year more and then declare the dividend.

	Rs.	a.	p.
Penal interest on share value and loans ...	47	1	2
¼ of net profits ...	9	14	2
Total ...	56	15	10

The Society's office is located in a building the monthly rental of which is Rs. 2. It is situated in a conspicuous place in the main bazaar road of the town where people generally congregate for business.

Registrars Remarks.

Yes. The office contains no board and early steps have to be taken to put up one in a front of the office.

The Secretary has been kind enough to place at the disposal of the Society 3 almirahs, 2 tables, 1 bench and 2 small benches which are his property and it is gratifying to note that the Society's funds are not invested on this kind of dead stock, especially in its initial stage of existence. It is very pleasing to observe that the President has promised an iron safe to be given free to the Society.

Good.

The accounts of the Society are maintained by a clerk who is paid Rs. 5 a month. He is an intelligent Taluk official who attends to the Society's work out of office hours. There is a peon employed on Rs. 6. The Secretary draws from the funds of the Society small sums of money from time to time to meet contingent charges and the expenditure he incurs under this head is accounted for in a separate book maintained by him. The items of expenditure under this head were examined and appear to have been necessary.

In conclusion, it is to be noted that the success of the Society is mainly due to the indefatigable exertions of the Secretary who is ably assisted in his work by the directors. He is the main stay of the institution and on him alone depends its future progress. It is hoped that he will continue to work the Society in the same self sacrificing manner as heretofore. There is no doubt that this Society if continued to be worked in the same manner on its present lines for some time more, will become a model institution and serve as an example for the neighbourhood.

CAMP ARSIKERE,
14*th July* 1912.

(Sd.) C. N. RAMACHANDRA RAO,
Clerk, Office of the Registrar of Co-operative Societies in Mysore.

(Sd.) S. MAHADEVA RAO,
Inspector of Co-operative Societies.